

FLNG and Pool P&I

John Croucher
Offshore Underwriter

Agenda

- Definition of production exclusion
- Application of exclusion to FLNG
- Offshore Rules vs Mutual Cover
- Definition of Unit

What production operations are excluded? The Standard



Pooling Agreement Appendix V Cl. 19 (a)

Liabilities incurred in **respect of the ship**, being a drilling ship or **any other ship employed to carry outproduction operations in connection with oil or gas exploration or production**, including any accommodation ship moored or positioned on site as an integral part of any such operations, to the extent that such liabilities arise out of or during drilling or production operations.

What is a production operation?



Pooling Agreement Appendix V Cl. 19 (b)

For the purposes of paragraphs 19 (a) above a vessel shall be deemed to be carrying production operations if (inter alia) it is a storage tanker or other vessel engaged in **the storage of oil**, and either:

- (i) the oil is **transferred directly from a producing well** to the storage vessel; or
- (ii) the storage vessel has **oil and gas separation equipment** on board and **gas is being separated from oil** whilst on board the storage vessel other than by natural venting

Application to FRSU



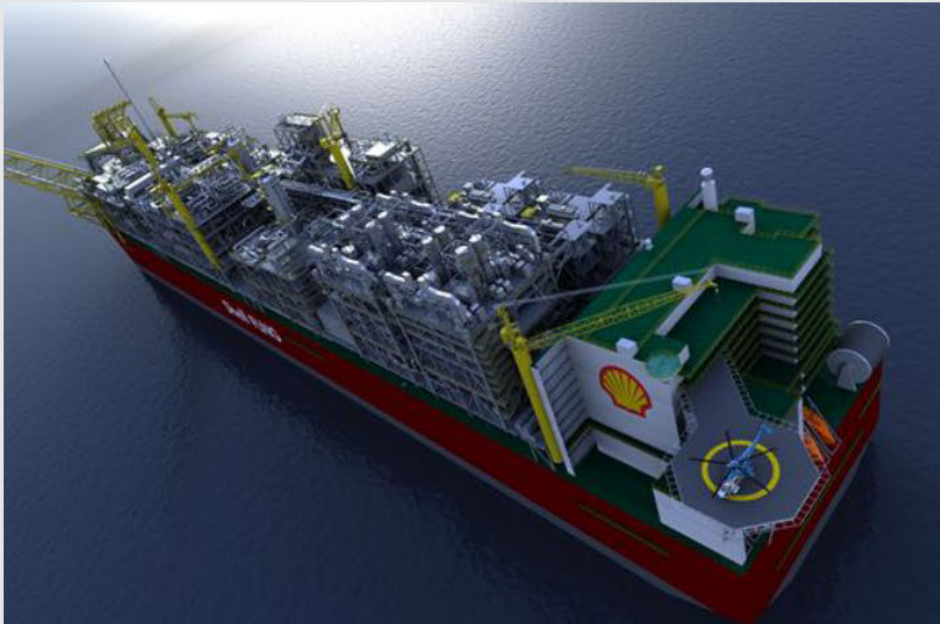
No Carriage of Cargo, permanently moored and 'production' of Gas from Liquid

But

No connection with producing well and merely changing the state of the product which has already been produced

Poolable cover applies (assuming acceptable contracts)

Application to FLNG



No Storage of Oil

No direct connection to the well,
product usually received via PLEM /
Well Control Equipt.

May be a gas only field

But

FLNG was not contemplated when
production exclusion drafted and
certainly common sense definition of
Gas production should prevail

Why is this relevant?

- the ship is no longer considered to be mutual risk
- no access to poolable P&I cover

What solution is available?

- Tailored Standard Offshore Rules cover
- Specifically designed for production operations
- US\$1bn cover available
- First class security S&P A rated or higher

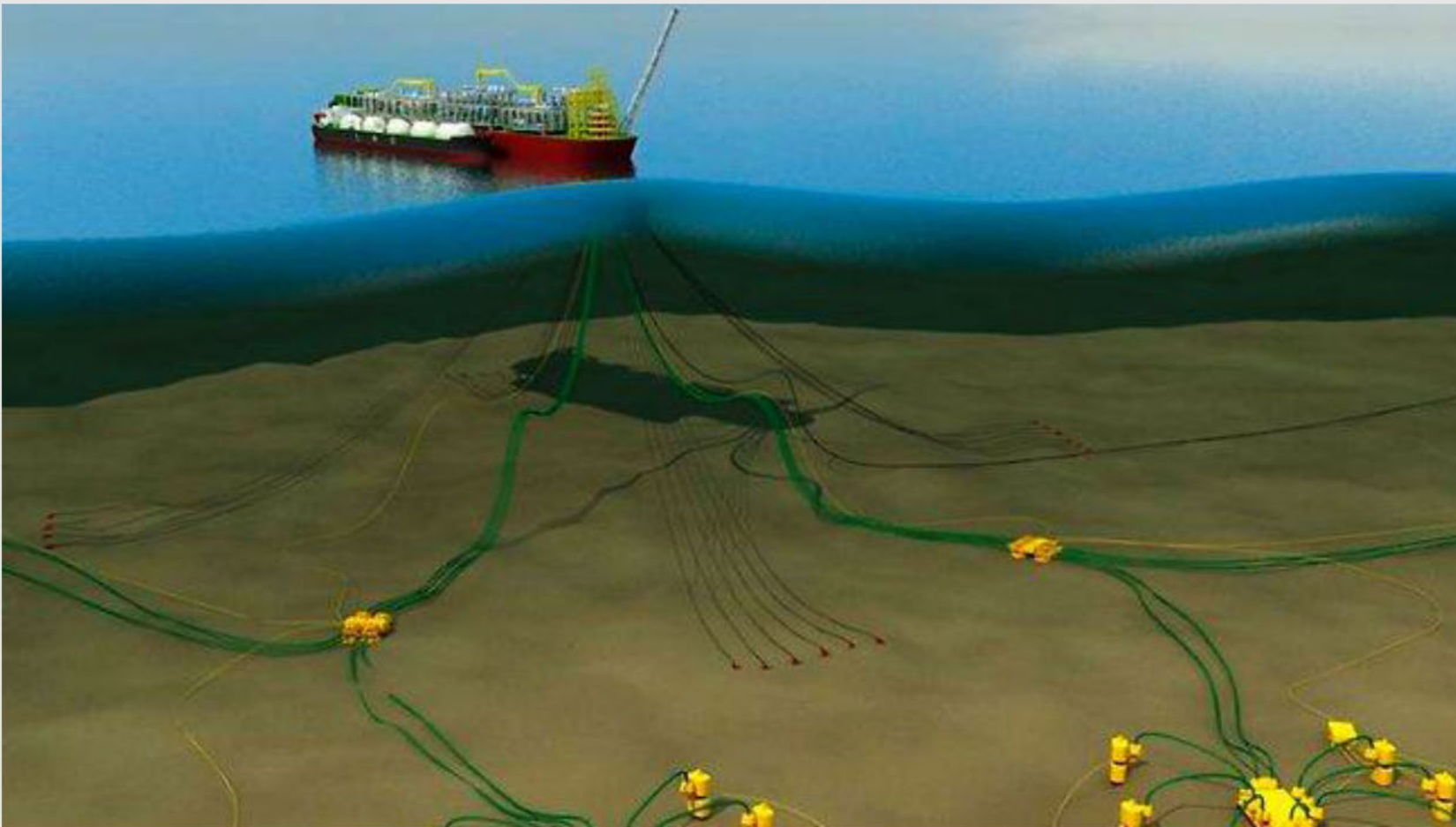
Key differences between Rules and SOR

The Standard



RULES	OFFSHORE RULES
ships	FLNG / FPSO / Rigs
includes cargo	excludes cargo
excludes contractual	includes contractual (approved)
	wider definition of unit pollution wreck removal
mutual premium	fixed premium
mutual limits (est. \$7bn)	fixed limits (max. \$1bn / Fines Sub limit)
exclusions for H&M & CAR	exclusions for H&M, CAR & OEE

Definition of FLNG Unit



The Standard



www.standard-club.com

**Charles
Taylor**

www.ctplc.com